

## The 5th EFB Summit - Brussels

### The New Europe: The Family Business Perspective

The 5<sup>th</sup> European Family Business Summit took place on the 6<sup>th</sup> of November in Brussels. Over 100 family business entrepreneurs from 18 European countries attended the event to discuss the most pressing issues facing Europe and family businesses alike.

The conference was opened by Alfonso Lábano, Chairman of EFB, who underlined the important role of family in our daily lives and how family is the foundation and the essence of our society.

EFB's Secretary General, read the words of Antonio Tajani, President of the European Parliament, who declared that family owned companies are the perfect example of what the EU stands for: **prosperity and opportunity**. He added that family businesses are the core of the European economy and are crucial actors in the development of local and regional economies. He stated that the family business community could rely on the support of the European Parliament to create a business-friendly environment. He concluded by saying that the role of family businesses is not only economic, but also one of **social responsibility, as family companies transmit strong values to the next generations**.



In his address, the **Commissioner for Budget and Human Resources, Günther Oettinger**, underlined the fact that, as family businesses represent social capital, respect and commitment both to the workforce and the community, they deserve special attention. He acknowledged that the most critical moment for family-owned businesses is the transfer of business to the next generation, where two important aspects play a key role: intra-family succession and inheritance tax. The Commissioner pointed out how the most successful family businesses transfers happen when the family manages to implement the succession plan that is already aligned with the values of the family.

On the EU's **new long-term budget**, the Commissioner assured the audience that within the MFF 2021-2027, the Commission will ensure that SMEs are fully supported. **On the future of Europe**, he noted that the EU is about shared values. The Commissioner stated that, while the last 6 years have been quite successful, the next six will be more difficult, due to both internal and

external challenges. Finally, he noted that 'the rise of digital is revolutionising everything and no one (in Europe) is ready to compete alone'. He stated that Europe must unite further to support the common EU interest for a Europeanization of digital policy that include cybersecurity, research, and artificial intelligence.



In the first panel, entitled "The New Europe: The Nextgen perspective", moderated by **Albert Jan Thomassen**, the audience was treated to a lively debate about the future of politics and business from three young upcoming female leaders. The panel included, **Gloria Fluxá** (Vice-Chairman and Chief Sustainability Office, Iberostar Group), **Adriana Domínguez** (CEO of Adolfo Domínguez) and **Martina Dlabajová** (MEP and Vice-Chair of the SME Intergroup of ALDE).

**Ms. Dlabajová**, who herself was an entrepreneur before going into politics, noted that her current focus is to better connect EU to its citizens and to ensure that Europe is sufficiently investing in digital technology. She underlined the importance of having a vision to guide one's actions; which sometime politicians lack. She urged the audience to "talk with politicians as much as possible, because they need input from the business community".

Regarding the important issue of sustainability, Ms. Fluxá declared that, for her personally, this is the most important issue for the company. She noted that her cause is driving so called 'sustainable tourism.' She pointed out the main changes that have been implemented to protect the environment and, in particular, the oceans:

1. Reduction of single-use plastic;
2. Sustainable Fishing (research of the best fish and the one with the smallest impact/certification of traceability of the fish);
3. Coastal protection (includes the education for the customers to respect oceans).

Adriana Dominguez noted that her business will no longer source material from animals (fur and leather). She added that the company will focus instead on sourcing vegan products. Ms Dominguez added that in essence, her company is adapting to what her consumers want i.e. a more ethical approach to sourcing and producing clothing lines. On the use of plastics, Ms. Dominguez noted that plastics are slowly disappearing from fashion industry, but she added that more action is needed on the

use of harmful chemicals. Ms. Fluxá noted that plastics will still play an important role in our lives, but it is crucial to develop circular approach to its usage. Mr. Dlabajová added that a world without plastic would be very difficult to obtain but is very important to encourage a reasonable use.



The second panel, entitled “The Digital Revolution and Family Businesses”, was a discussion between **Alberto Onetti** (Chairman of Mind the Bridge and Coordinator of Start Up Europe Partnership (SEP)), **Peter Villax** (CEO of Mediceus) and **Arantza Ezpeleta** (Chief Technology and Innovation Officer of Acciona).

The moderator, **Nicholas Hollanders**, firstly quizzed the panellists on the potential changes that technology brings to companies. Mr. Onetti stated that digital is a transversal issue and that “**many companies need digital to stay alive**”.

On the importance of using talent to develop technological changes, Ms. Ezpeleta pointed out the benefits of external and internal talent working together. She listed the three pillars that ACCIONA have implemented to make the most out of digital:

1. Innovation start up program to identify brilliant people to work with ACCIONA;
2. Entrepreneurship program used to inspire employees to develop their ideas;
3. Developing an advanced digital innovation hub that actively looks at the potential disruptive technologies to integrate them within the company.

Mr. Villax noted that, in the context of his family business and his own expertise, his has sought out to exploit a hugely untapped resource, data:

1. **A company’s data is its competitive advantage:** data can be used to speed up processes;
2. **Use data to make your product:** using healthcare data for example to develop the best cure for specific problems.

When quizzed about the digital transformation in family businesses, Mr. Onetti noted that adaptation must be aligned with the identity of the company. He recognized that it is impossible to change a company from one day to another; research and time is necessary. Mr. Onetti reminded everyone that **seeking usable innovation will, most of the time, fail**. On this point agreed also Ms. Ezpeleta, who closed her intervention encouraging the participants of “**not being afraid of taking risks and be ready to fail.**”

When quizzed about governance, Mr. Villax noted that his family is very well equipped and organized and that “governance is more geared towards making sure that the company works well than towards change”. He added that people know that change is essential, but change is normally driven by one person, and this means that the other must give the freedom and the support to this person to act. He also said that **“the biggest enemy of innovation is legacy”** and that to implement change and innovation, one must transcend governance. Mr. Villax concluded by saying that the World is too male dominated, and for us to start thinking differently we must listen more to women.



In his presentation, **Jacques Berghmans**, co-founder TreeTop Asset Management and TreeTop Fund Manager, explained the advantages of investing in the stock market, whose investors have reached, in the last century, very strong returns. He noted that the investing in the stock market is presented as highly risky, but in fact, it has remained stable for a significant period; ‘long-term investors have performed well’.

Mr Berghmans noted that there are two ways of investing in the stock market, in the index or an asset manager. Very few individual investors (Buffet, Soros) outperform the indexes. He added that investing globally is extremely important to maximise on your earning potential.

In the private session, Nicolas Hollanders interviewed Mr. **Arnoud de Pret** (Member of the Board 1978-2011, AB InBev) and his daughter Elinor. Mr de Pret gave an intimate insight into the history of AB InBev and his role within its meteoric rise. Both speakers imparted their knowledge on how to manage a complex family and company.



In the final part of the conference Patrick **De Schutter**, Partner and Head of Family-Owned Businesses Belgium (KPMG), presented the findings of the latest *Family Business Barometer*. This year, over 1600 respondents took part from all over Europe.

Mr de Schutter explained, in general, the **family business community is confident about the future** but acknowledge that they must improve some aspects of their

business (agility, rapidity ) to remain competitive.

Looking at investment in people (staff), 50 per cent of companies have increased their staff numbers, while 1 out of 3 have maintained the same number of people; only 10%, both in Europe and in Belgium, have decreased their personnel.

On the major challenges facing family business, the respondents highlighted the most pressing issues as, the 'war for talent', declining profitability (especially due to competitiveness and price pressure in the market) and changes in regulation ([Full report can be found here](#)).



The last panel, entitled "Family Business trends and challenges", was moderated by Mr. Olaf Leurs (Tax Partner of KPMG Netherlands and Chairman of KPMG EMA Enterprise). The panellists included Philp Aminoff (Chairman, Finnish Family Firms Association) and Philippe Haspeslagh (Chairman of Ardo).

On the still relevant issue of debt vs equity, the panellists agreed that the fiscal system is still fundamentally imbalanced. Philippe

Haspeslagh remarked that a notional interest deduction, which was briefly implemented in Belgium, on equity capital would be the fairest choice in order to create parity between the two forms of finance. Mr. Aminoff noted that **"equity is the mother of all finances"**, and **policy makers should treat it as such**.

Mr. Aminoff also noted that in some EU countries, and in the U.S, equity is at fundamental tax disadvantage, meaning that the return on equity is less interesting than on debt. This leads to a system where companies over indebt themselves as they borrow more than they should. Mr Aminoff noted that this imbalance makes certain large companies vulnerable; leading to systemic risks in the global economy. On the other hand, Family businesses, who tend to have a higher proportion of equity, act as the stabilisers in the economy, but they ultimately bare a larger share of the tax burden because they favour equity.

Regarding the implementation of new UBO registers across the European Union, Mr. Aminoff noted that there were significant differences in culture when it comes to the issue of transparency. In Finland, Mr Aminoff noted, the country has always been very transparent; all corporations are forced by law to keep a register of shareholders and everybody can have access to it. Mr. Haspeslagh said that while in Belgium many family businesses are worried about the UBO register, he thinks that the world is going

towards more transparency and Belgian family businesses should prepare themselves for this new norm.

On the role of senior generations in family business, after recalling the words of Mr. Villax “legacy has something that needs to be challenged, Mr. Aminoff noted that it is extremely important that next generation takes the initiative to reinterpret the company.

The panellists agreed that if legacy is interpreted as the “next generation must do what has always been done,” it exposes considerable risks for the business. Instead legacy has to be interpreted as reused pieces of good thoughts and ideas that are reinterpreted to become the leading start of new generations. This of course, according to Mr. Haspeslagh, requires **wisdom in the older generations, who have to stay fit longer and leave their roles earlier to the incumbents.**

In the closing remarks, Jesús Casado listed his main ‘takeaways’ for the day:

- ✓ More vision is needed in Europe;
- ✓ Think long-term and outside Europe;
- ✓ Digital is the new way of doing things and that legacy is the worst enemy of change;
- ✓ Listen to women and the next generation;
- ✓ ‘Equity is the mother of all finance’.

He concluded by thanking the audience for their participation and announcing that the 2019 Summit will be held in Madrid in the Autumn.